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May 22, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th St. SW
Washington, D.C. 20554

Re: CC Docket No. 98-56 and CC Docket No. 98-121

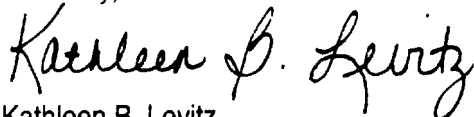
Dear Ms. Salas:

This is to inform you that on May 22, 2000 Venetta Bridges and I, representing BellSouth, and Ed Mulrow of Ernst & Young met with members of the Commission's Common Carrier Bureau to discuss aspects of BellSouth's VSEEMs-III plan. The following Commission staff were present for the meeting: Jake Jennings; Eric Einhorn; John Stanley; and Daniel Shiman of the Common Carrier Bureau's Policy and Program Planning Division.

The VSEEMs-III plan is the third version of BellSouth's plan designed to assure BellSouth's continued compliance with its obligation to provide its competitors with non-discriminatory access to its Operating Support Systems (OSS) after BellSouth receives authorization under Section 271 of the Communications Act to offer long distance services in-region. During this meeting we discussed the operation of Tier 3 of VSEEMs-III. The attached document formed the basis for our discussion.

Because the Commission has been considering issues related to performance measurements and standards in both proceedings identified above, we are filing notice of this ex parte meeting in both dockets, as required by Section 1.1206(b)(2) of the Commission's rules. Please associate this notice with the record of both dockets.

Sincerely,



Kathleen B. Levitz

Attachment

cc: Jake Jennings (w/o attachment)
Eric Einhorn (w/o attachment)
Daniel Shiman (w/o attachment)
John Stanley (w/o attachment)

BST VSEEMIII
LPSC Impact Model Excerpt

There have been many debates as to whether or not Bellsouth would hit the 'cap' under severe disparate conditions. The hypothetical model created around LPSC assumptions clearly shows that not only does the potential exist, but the probability of triggering a Tier-3 suspension exists as well. Additionally, actual remedy results are provided for September through November 1999.

Simulated Data

In January 2000, the Louisiana PSC set forth various assumptions from which Bellsouth and CLECs were to apply to their respective remedy models. Fifteen disparity distributions were created under the LPSC assumptions, ranging from superior service to severely disparate service. The distributions are:

Distribution Number	Disparity Level			
	Better	None	Medium	Severe
1	100.00%	0.00%	0.00%	0.00%
2	50.00%	50.00%	0.00%	0.00%
3	0.00%	100.00%	0.00%	0.00%
4	50.00%	0.00%	50.00%	0.00%
5	33.33%	33.33%	33.33%	0.00%
6	33.33%	33.33%	0.00%	33.33%
7	0.00%	50.00%	50.00%	0.00%
8	25.00%	25.00%	25.00%	25.00%
9	50.00%	0.00%	0.00%	50.00%
10	33.33%	0.00%	33.33%	33.33%
11	0.00%	50.00%	0.00%	50.00%
12	0.00%	0.00%	100.00%	0.00%
13	0.00%	33.33%	33.33%	33.33%
14	0.00%	0.00%	50.00%	50.00%
15	0.00%	0.00%	0.00%	100.00%

When assessing forecasted data for one month (June 2003) of Tier-1, Bellsouth shows that the VSEEMIII plan performs as expected. That is, as disparity levels increase (i.e., magnitude of the failure) so does the remedy amount. Also shown are figures for Tier-2 and the probability of triggering a Tier-3 remedy (when assuming equal disparity distributions over a quarter).

Disparity Distribution	^a June 2003 Tier-1	^c Tier-2	^d Probability of Tier-3 for a Quarter
1	\$ 29.15	\$ 0.00	0%
2	\$ 150.53		0%
3	\$ 1,098.74	\$ 73.00	0%
4	\$ 358,016.89	\$ 1,608,942.00	0%
5	\$ 303,175.61	\$ 1,506,375.00	0%
6	\$ 662,936.97	\$ 5,300,457.00	7%
7	\$ 529,297.21	\$ 3,807,690.00	0%
8	\$ 867,827.67	\$ 6,943,424.00	28%
9	\$1,401,324.50	\$ 8,329,774.00	96%
10	\$1,461,319.96	\$ 9,278,153.00	99%
11	\$2,171,273.22	\$14,467,477.00	100%
12	\$1,758,902.22	\$13,156,352.00	100%
13	\$1,994,074.49	\$12,553,156.00	100%
14	\$3,458,110.04		100%
15	\$3,907,322.39	\$63,999,322.00	100%

- NOTE: a) Tier-1 figures do not consider escalating remedies over time.
b) The increase between distributions 3 and 4 is due to the benchmark measures having no failures in distributions 1 through 3.
c) Tier-2 figures are drawn from five specific LPSC Scenarios, and do not necessarily reflect June 2003 forecast volumes.
d) Tier-3 probability uses the forecasted volumes for May, June and July 2003.

As designed, Bellsouth payout is close to zero when providing 'superior' service, and grows appropriately when providing severely disparate service. Additionally, a 28% probability of triggering Tier-3 when disparity is equally distributed (from better than performance to severe) serves as a sufficient incentive for Bellsouth to continue to provide a high quality of service.

To understand what happens over time, the LPSC created five scenarios. These scenarios capture various mixtures of the above disparity distributions to compare the mechanisms of various CLEC remedy plans over time. The scenarios and monthly VSEEMIII payments are detailed in the attached document, but summarized below along with the probability of triggering a Tier-3 remedy at least one time in the year 2003.

LPSC Scenarios

	Distribution Number			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Stationary	8	8	8	8
Almost Stationary	4	5	6	7
Almost Stationary	9	10	11	12
Improving	15	13	11	9
Degrading	1	3	5	7

VSEEMIII Total Payments with Tier-3 Probability

	Year 2003	Probability of at least one Tier-3 Remedy
Stationary Scenario #1		
Total Tier-1 Payment	\$ 41,281,429	
Total Tier-2 Payment	\$ 28,619,332	
Total Payment	\$ 69,900,761	73%
Almost Stationary Scenario #2		
Total Tier-1 Payment	\$ 17,424,445	
Total Tier-2 Payment	\$ 12,223,464	
Total Payment	\$ 29,647,909	7%
Almost Stationary Scenario #3		
Total Tier-1 Payment	\$ 103,597,631	
Total Tier-2 Payment	\$ 45,231,755	
Total Payment	\$ 148,829,386	100%
Improving Scenario #4		
Total Tier-1 Payment	\$ 132,569,929	
Total Tier-2 Payment	\$ 101,723,892	
Total Payment	\$ 234,293,821	100%
Degrading Scenario #5		
Total Tier-1 Payment	\$ 6,442,149	
Total Tier-2 Payment	\$ 5,050,204	
Total Payment	\$ 11,492,354	0%

Under the scenarios defined by the LPSC, sufficient remedy payments will be made. Furthermore, the probability of triggering a Tier-3 remedy (at least once) exists for all scenarios except one.

Actual Data for LA – September through November 1999

Bellsouth took three months of actual data (September through November 1999) and calculated Tier-1 and Tier-2 remedy payments.

	Tier-1	Tier-2
Sept '99	\$ 126,600.00	
Oct '99	\$ 146,150.00	
Nov '99	\$ 292,850.00	\$ 1,109,400.00

These figures are derived from only 4 of the 14 Tier-1 measures. Stated another way, 8 of 37 submetrics. So the figures shown reflect a very minimum perspective of what BST would have paid out for these three months. While September through November is not an actual calendar quarter, the Tier-2 figure is an indication of what the remedy amount would have been if this were (say) October through December results.

The question of whether BST would make remedy payments under the VSEEMIII plan should no longer be of issue.